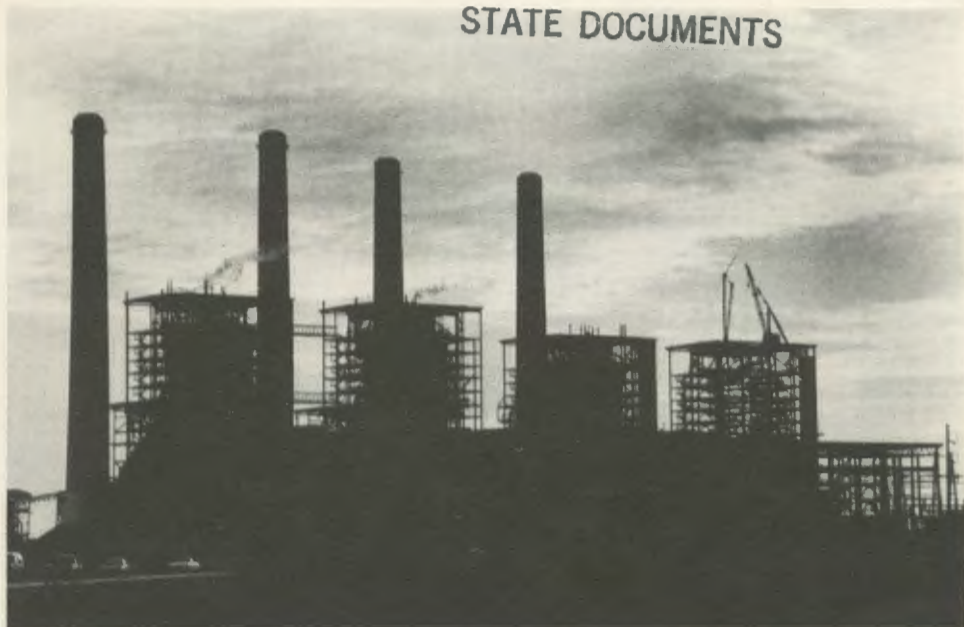


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Annual Report 1979



44th Annual Report

For the Fiscal Year Ended June 30, 1979

Comparative Highlights

	FY79	FY78	% Change
Energy Sales (million Kwh)	5,953	5,562	7.0
Peak Demand*	1,352 Mw	1,231 Mw	9.8
Customers Served	47,151	44,279	6.5
Average Annual-Residential Consumption Kwh	12,097	13,174	(8.2)
Average Residential Cost per Kwh	3.44 ^c	3.27 ^c	5.2
Operating Revenue	\$135,697,426	\$118,980,177	14.1
Gross Income	\$140,612,400	\$122,427,480	14.9
Electric Operating Expenses	\$103,928,136	\$ 88,143,827	17.9
Gross Expenses	\$129,821,871	\$116,911,887	11.0
Reinvested Earnings	\$ 10,790,530	\$ 5,515,593	95.6

*Calendar year

Cover: Winyah Generating Station near Georgetown, showing Units No. 1 through 4, from left to right. Units 1 and 2 are in operation, with Unit 3 scheduled for completion in 1980 and Unit 4 in 1982.

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Message from the Chairman of the Board

People and Energy. Santee Cooper's two greatest resources.

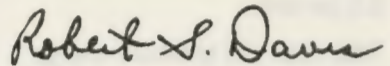
Providing quality electrical service to the people we serve--our customers--continues to be our greatest concern. Providing them the energy they need to live comfortably and securely, to conduct business, to benefit from a healthy and growing economy is the goal of Santee Cooper's most important resource--our employees.

The dedication and professional performance of Santee Cooper's "power people" have met the challenges of growth and development that continue throughout our service area. In spite of the unusual inflationary impact on electric utilities and a decreasing supply of low cost fuel resources, the people at Santee Cooper have been able to deliver energy to its customers at some of the lowest rates in the country.

Expanding our power generation, transmission, and distribution capabilities to meet the growing demands of our customers is considered our major challenge. Although the national economy began to slow down, Santee Cooper continued to experience increases in electric sales to its customers, including high peak demands.

Our second greatest challenge is effective planning and management to maintain revenues sufficient to meet the costs of operation at reasonable rates for our customers. To assure that Santee Cooper's financial health is maintained in good order, our financial position and rate structures are continually monitored by our staff with periodic reviews by outside consultants.

This annual report summarizes many of the important events and activities that encompassed another successful year of progress and growth for Santee Cooper. These achievements were made possible only through the superb teamwork and commitment for excellence on the part of Santee Cooper employees. This record of performance substantiates the fact that although Santee Cooper's product is energy, its most important resource is people.



Robert S. Davis
Chairman, Board of Directors

Message from the President

Although the pressures of inflation and recession have slowed the nation's economy, Santee Cooper continues to experience growth in energy sales and industrial expansion considerably above the national average. Customer expansion and plans for growth highlight us as one of the fastest growing electric utilities in the country.

The 1979 calendar year summer peak demand increased to 1352 megawatts, an annual growth of 9.8 percent compared to the national average of 0.5 percent.

Total retail and wholesale energy sales, excluding energy sales to other utilities, increased 7.0 percent compared to the national average of 5.0 percent.

Our energy growth this year, although above the national average, was decidedly less than previous years. Major factors responsible for the reduction were the warmer than normal winter and the cooler summer. We also believe our conservation program conducted over the last few years is affecting some of the slow-down.

A rate increase of 2.0 percent to Central Electric Power cooperative became effective January 1, 1979. A rate increase for all other customers became effective in May, 1979. The increase averaged 11.8 percent for commercial; 10.5 percent for industrial; and 9.6 percent for residential customers.

To finance the construction program necessary to meet the demands of our customers, a \$110 million bond issue was sold at a net interest rate of 6.81

percent in April, 1979. The financing provided \$100 million for the partial construction of Winyah Unit No. 4, and \$10 million for general system improvements.

Our federal license to operate the hydro project was renewed for 30 years by the Federal Energy Regulatory Commission in May. The renewal culminated more than 10 years of extensive work to satisfy the changing requirements of the Commission including remapping and surveying of all project boundaries, development of recreational and master land use plans, and land use classifications.

In an effort to utilize what is normally a waste product, we began an aquaculture program using the warmed water discharged from the Winyah Generating Station units for the commercial production of Tilapia, a vegetation-eating tropical fish used for food, and weed control in farm ponds and utility company cooling reservoirs. So far, the demand greatly exceeds our ability to supply the fish.

As a continuing effort to improve service to our customers, a new retail office was opened in Pawleys Island. To satisfy our own growth problems, plans for a new headquarters complex were announced in June, 1979. The new facilities will be constructed on a 75-acre site located on the new Highway 52 Bypass in Moncks Corner. Construction began in late 1979 with completion scheduled for April, 1981.

We face a particularly challenging future during the next four or five years. Load growth is expected to

continue exceeding the national average. Amoco Chemical went on line in FY 1979 with additional load assured as a result of their development of an industrial park adjacent to their chemical complex. Alumax, the largest concentrated electrical load in the southeast, is scheduled to go on line with their aluminum reduction plant in July, 1980. Already, the first aluminum-related plant, Jim Walters aluminum foil rolling mill, is under construction with additional satellites expected to follow.

The planning, financing, construction, and operation of the facilities necessary to meet our expected load will demand our best efforts. Acquiring and training staff to plan, construct, and operate the expanded transmission and generating facilities will be especially critical because of the quality of personnel and the time

required to develop proficiency. For the generating stations alone, about 200 people will have to be hired and trained over the next four years to operate the units now under construction.

For those reasons, it is of utmost importance that we continue our program of providing a working environment, adequate and equitable compensation, and opportunity for professional advancement capable of attracting and keeping the men and women necessary to continue the successful operation of Santee Cooper.

William C. Mescher

Generation

Generation Capacity and Load Growth

Santee Cooper generated 6,029,450,000 kwh of electricity, purchased and interchanged 231,001,760 kwh, and sold 5,952,800,106 kwh, an increase over the previous fiscal year of 0.8 percent in kwh generated, 13.7 percent in kwh purchased and interchanged, and 7.0 percent in kwh sold. Santee Cooper experienced system losses of 307,651,654 kwh.

Facility Improvements

Santee Cooper has completed extensive improvements to Jefferies Unit Nos. 3 and 4 electrostatic precipitators. With these improvements, all generating stations now meet clean air quality standards.

Station Construction

Construction on two additional 280 megawatt coal-fired units at the Winyah Generating Station near Georgetown continued on schedule. Unit No. 3 is scheduled to begin commercial operation May, 1980 and was 60 percent complete at the end of the fiscal year. Unit No. 4 is scheduled for commercial operation in May, 1982 and was 11 percent complete. The estimated costs of the two units are \$142 million and \$146 million respectively.

Expanding Facilities

Hilton Head Combustion Turbine No. 3 began commercial operation on April 30, 1979. This \$10 million peaking unit adds 56 Mw to Santee Cooper's generating capacity.

Construction of a 450 megawatt coal-fired generating unit at a site near Cross along the diversion canal between Lakes Moultrie and Marion was authorized. The Cross site will accommodate four units.

Environmental studies have been completed and submitted to the Federal Energy Regulatory Commission for permits to construct two units. A permit has been received from the South Carolina Department of Health and Environmental Control for discharge of emissions.

The first unit's projected cost is \$374 million and it is scheduled for commercial operation in November, 1983. The second unit is planned for operation in 1985. During the year contracts for \$65,819,989.75 toward equipment and services for the first unit were committed.

Lead times required to conduct environmental studies, obtain necessary permits, and complete construction of new generating facilities have increased. In response to these problems, Santee Cooper began site studies which will identify sites where new generating stations can be constructed in the late 1980's.

Summer Nuclear

By the end of the fiscal year construction of the V.C. Summer Nuclear Station, Unit No. 1 was 86 percent complete. Santee Cooper is a one-third owner of this 900 megawatt generating station and will receive 300 megawatts of its output. South Carolina Electric and Gas Company (SCE&G), which owns the other two-thirds of the project, acts as agent for Santee Cooper in the design,

construction, licensing, operation and maintenance. The Summer Station is currently in the operating license review stage with commercial operation scheduled for December 1980.

In late March 1979, the accident at Three Mile Island Nuclear Station in Pennsylvania had immediate and long range impacts on all nuclear plants in operation and under construction. While some changes in the design and operation of the Summer Station will likely result from this accident, the impacts on the project cost and schedule, if any, were unknown at the close of the fiscal year.

The legal action regarding fuel supply,

which was initiated against Westinghouse Corporation in October 1975, continued, with the court ruling in favor of SCE&G and Santee Cooper on October 27, 1978 with respect to liability. No settlement has been reached with Westinghouse as to damages even though discussions were continuing. If no settlement is reached, the trial for damages is expected during the summer or fall of 1979 in the U.S. District Court in Richmond. This litigation is not expected to adversely affect the operating schedule for the Summer project since the fuel for the initial core was fabricated and delivered in late 1978.

System Operations

Reliability

Santee Cooper is one of the thirty member organizations in the Southeastern Electric Reliability Council, which includes all power suppliers in the region with a generating capacity of 25 Mw or more. The Council assists member systems in coordinating overall planning and studies to achieve maximum reliability.

Santee Cooper is also one of seven power systems in the Virginia-Carolinas Reliability Group, which includes South Carolina

Electric and Gas Company, Carolina Power and Light Company, Duke Power Company, Virginia Electric and Power Company, Yadkin, Inc., and Southeastern Power Administration. The member systems have a coordination agreement to safeguard the reliability of their service.

Interconnections are maintained with the South Carolina Electric and Gas

Company at Bushy Park, North Charleston, St. George, and Columbia; with the Southeastern Power Administration at Clark Hill; and with the Carolina Power and Light Company at Kingstree, Darlington, Hemingway, Lugoff, and Robinson.

Transmission

Santee Cooper's transmission system consists of approximately 2800 miles of transmission lines with voltages ranging from 34 through 230 Kv. The transmission system extends through 35 of the state's 46 counties providing service to two municipalities, three military installations, 21 industrial customers and 15 electric cooperatives.

Construction of 230 Kv lines to the Batesburg, Newberry, Blythewood, and Camden Substations was completed.

Santee Cooper has approximately 90 transmission and distribution

substations and switching stations with about 200 delivery points. Approximately 6 billion kilowatt hours of electricity were delivered to

customers through these facilities. One new industry and five new cooperative substations were added to the transmission system.

Service Territory

Myrtle Beach

Customers served in the Myrtle Beach District reside in the towns of Myrtle Beach, North Myrtle Beach, Surfside, Atlantic Beach, Briarcliffe, and all other areas along the Grand Strand between the North Carolina State line and Georgetown. Included in these fast growing areas are the communities of Garden City, Little River, Pawleys Island and Litchfield.

While the number of customers in the district increased 7.86 percent to a total of 35,079, the sale of energy decreased .6 percent. This reduction was most likely due to increased energy conservation, primarily among large commercial customers.

Approximately 800 mobile homes and campsites and 1000 condominium units were added to the Myrtle Beach District. The residential developments of Caropines III, Deerfield II, Waverly Mills, and The Forest accounted partially for the more than 500 residential lots added. Most of the new subdivisions are being served by underground distribution systems. A new hospital, two schools, one large shopping center, a 140 boat-slip marina, ten theaters, fifteen new restaurants, and approximately 200 motel units were part of the District's growth.

The Myrtle Beach District is enjoying a healthy rate of growth in both commercial and residential customers. Tourism and the attractiveness of the area for retirement promise continued development for the future.

Conway

Customers in the Conway District service area include those in the towns of Conway and Loris, the Red Hill, Bucksport, and Gurly communities, and areas surrounding these locations. The number of customers in this district increased 2.74 percent to a total of 7,975 and their electric power consumption increased 5.0 percent.

The bulk of construction in the Conway District was for new residential subdivisions and new commercial buildings. Underground distribution was installed at Westridge Subdivision which will contain approximately 200 residences, at Buck Forest No. 2 which will have 40 residences and at Burning Ridge which will contain over 200 residential lots.

Along Highway 501 in Conway, service was provided to several new food establishments, including Hardee's, Wendy's, Kentucky Fried Chicken, and Pizza Hut.

New commercial establishments in Conway include a C & S Bank at Red Hill, First Citizens and Trust on Third Avenue, and K-mart and Wood's at Waccamaw Square.

Moncks Corner

The Moncks Corner District provides service to customers in Moncks Corner, St. Stephen, and the areas of Pinopolis and Bonneau Beach. The number of customers increased 2.49

percent to a total of 4,070, and their energy consumption went up 14.12 percent.

Other than normal load growth, the most significant projects in this district were the provision of

construction power to the new St. Stephen Hydro Project and the planning of service for Santee Cooper's new office complex to be located on the Highway 52 Bypass.

Energy Sales

The number of Santee Cooper residential, commercial and small industrial customers totaled 47,124, an increase of 2,871 over the previous year, or about 6.5 percent growth. Sales to these customers totaled 966 gigawatt hours of electricity, up 1.5 percent over the previous year. These figures reflect a leveling off when compared to increases the previous year of 8.5 percent in the number of customers and 9.7 percent in kilowatt hour sales.

Sales to large industrial customers increased 24 percent, compared to a 6.3 percent increase the previous year. However, sales to the U.S. Air

Force bases at Charleston and Myrtle Beach and to the Charleston Naval Shipyard decreased 2.2 percent, compared to a 6.9 percent increase the previous year.

Sales to 15 of the state's 20 electric cooperatives through Central Electric Power Cooperative and to the municipalities of Georgetown and Bamberg were 2,882 gigawatt hours, an increase of 1 percent over the previous year. The electric cooperatives and municipalities distribute Santee Cooper power to more than 220,000 customers in 35 of the state's 46 counties.

The Revenue Dollar

Forty one percent of Santee Cooper's revenue was generated by power sales to 15 of the state's 20 electric cooperatives for distribution to the more than 220,000 customers which they serve. About 23 percent was derived from retail and another 25 percent from industrial customers. The remaining 11 percent was obtained from power sales to municipalities, military bases, and other revenues.

Based on new industrial loads scheduled and historical load growth, sales to the industrial customers will replace sales to the electric cooperatives as the major source of revenue.

Average Residential Consumption

The average residential consumption of electricity by customers served directly by Santee Cooper was 12,097 kilowatt-hours, a decrease of about 8.18 percent, as compared to a 2.67 percent increase the previous year.

This decrease is believed to reflect customer response to Santee Cooper's energy conservation program and higher energy cost.

Revenue Dollar

Source of Income

1- Sales to Electric Cooperatives.	\$57,805,894
2- Industrial Sales.	35,130,523
3- Commercial Sales. . . .	16,822,099
4- Residential Sales.	15,254,806
5- Military Sales.	6,566,771
6- Other Income.	4,914,974
7- Other Sales for Resale.	2,169,676
8- Other Electric Revenue.	1,637,360
9- Other Sales.	310,297

TOTAL \$140,612,400

Distribution of Income

1- Fuel for Generation. .	\$80,392,778
2- Operation and Maintenance. .	21,425,705
3- Additions to Plant, Inventories, etc. . . .	17,141,695
4- Interest, Net.	11,721,216
5- Retirement of Debt. . .	5,894,656
6- Purchase Power. . . .	2,109,654
7- Payment to State of South Carolina.	1,200,380
8- Sums in Lieu of Taxes.	726,316

TOTAL \$140,612,400

Commercial Operations

Customer Services

The Customer Services Division assists customers with their efforts to utilize electric energy in an efficient manner. Division personnel provide individualized energy conservation recommendations for residential and commercial customers through energy audits, information, and energy management plans. Improved thermal design and the use of more efficient equipment in new and remodeled construction are also recommended.

The Energy Efficient Home Awards Program, with emphasis on upgrading thermal design, was modified to improve cost effectiveness. New residential customers have shown an increased response to this program as a means of providing energy conservation for new homes.

Additional requirements to insure proper installation were placed upon the dealers certified under Santee Cooper's Certified Heat Pump Dealers Program.

Public presentations, pamphlets, and advertising are used to create increased energy awareness and provide customers general information about efficient use of energy.

An expanded film library has increased the use of energy awareness films and programs by schools throughout the service area. Santee Cooper continues its cooperation with other utilities in the state to present a program, "Energy Today and Tomorrow," to students in secondary schools. This program, produced by Oak Ridge Associated Universities, is a presentation designed to increase energy awareness among area students.

The National Energy Conservation Policy Act of 1978 will not have a pronounced impact on the conservation services provided by Santee Cooper because the Customer Services Division is already providing the type of services required by the Act.

Public Relations

Communications with its customers and employees was emphasized by Public Relations through a greater and more timely flow of information designed to increase energy awareness, promote understanding of Santee Cooper operations, and encourage the efficient use of energy.

Information flow was increased to electric cooperative and municipal distributors of Santee Cooper power and to the more than 220,000 customers they serve. This was achieved by sharing energy conservation information for their use and providing advertising materials to several co-ops for promoting energy conservation.

When a crippling ice storm swept through the state in February, Public Relations worked closely with the media in communicating the story of how Santee Cooper emergency crews were helping electric cooperatives restore power to their customers.

Santee Cooper's print media and radio advertising programs promoting the Energy Efficient Home program and the efficient use of energy were awarded top recognition in Charleston, state, and regional advertising competition.

FINGERTIP FACTS, a 20 page miniature version of the annual report was introduced by Public Relations as a pocket-sized quick reference of facts, figures, and information about Santee Cooper. It is distributed to employees and has become a standard handout to civic and business organizations, visitors, etc.

Mosquito Abatement

Mosquito abatement field operations were relocated from the Church Branch area to the Clarendon County Airport to provide for a central project location with improved runways and greater efficiency. Abatement activities were conducted throughout a five-county area of the project in the combined interest of outdoor recreation, tourism, industrial development, and wildlife protection.

Aquatic Plant Management

Environmental Control personnel provided the leadership in the development of a state organization dedicated to the management of noxious aquatic plants. Over one hundred members from universities, state and federal agencies, and industry are affiliated with the non-profit organization.

Research and field management studies on noxious aquatic plant species in the Santee Cooper lakes were conducted using control measures in public access and high-use areas which support fishing and water related recreational opportunities on Lake Marion.

Water Quality Management

The quality of project waters was monitored by Environmental Control with the help of Clemson University in order to detect harmful pollutants and maintain the standards of the reservoirs for recreational, aesthetic, industrial, agricultural, and navigational uses.

Aquaculture

The aquaculture section was expanded with the employment of a fish culturist from the staff at Auburn University to develop and supervise a commercial fish production program. The commercial production of fish, eel, and freshwater shrimp using waste-heat water at the Winyah Generating Station is being evaluated under this program.

Management Information Systems

The Division was renamed Management Information Systems from Data Processing to better describe the Division's function of providing accurate data for timely management information. A Methods and Procedures section was created to develop and coordinate interdepartmental procedures.

Numerous enhancements to systems were achieved and several on-line capabilities were added. Planning continued on the development of Database Data/Communication Systems.

Land Management, Recreation and Forestry

The Project Lands Management Division administers the leases of 3,977 parcels of land which include 2,984 recreational lots in Santee Cooper's 52 subdivisions, 845 marginal lots adjacent to privately-owned subdivisions, 88 commercial leases, five miscellaneous leases and 34 gratis leases to public and quasi-public entities. Revenues from property leases is about \$500,000 annually.

A land-use plan for the management of project lands was recently approved by the Federal Energy Regulatory Commission as a part of Santee Cooper's new operating license. The plan includes the development of five public recreational sites within the next five years.

There are 20 public boat-launching ramps and parking areas around the lake system. A large public recreation facility was recently completed on Lake Marion in the Cross community in conjunction with a gratis lease to Berkeley County.

An effective inspection and compliance program and a permitting system have been implemented to govern the placement of dwellings and improvements on leased properties. This program is designed to enhance property values and maintain orderly development.

Revenue from forest products and agricultural leases exceeded \$150,000. The forest land base will be reduced by 3,500 acres as a result of the construction of a new generating station on a site near Cross. Approximately 22,000 acres remain in the forest management program and projections indicate sustained revenues of \$100,000 annually.

The multiple-use concept of the forest management program includes the leasing of 13,640 acres on a gratis basis to the South Carolina Wildlife and Marine Resources Department for use in their game management program. This program provides controlled hunting for the general public.

Funds from the sale of hunting permits by the Wildlife Department are utilized for the maintenance of roads, controlled burning, preparation of dove fields, and other improvements.

Flood Control

Santee Cooper conducted spilling operations for 48 days during the months of February, March, April and

May, 1979 as part of its flood control program.

The maximum daily average inflow which occurred on February 26, 1979 resulted in the flood crest on the lower Santee River being reduced to about 60 percent of what it would have been without Santee Cooper's flood control operations.

Industrial Development

Industrial development activity in Santee Cooper's service area continues to increase. Industrial consumption of electricity rose 24 percent as 18 of 21 operating plants registered an increase in kilowatt hours used.

In November, Amoco Chemicals Corporation began production at its new plant on the Cooper River in Berkeley County. More than one billion pounds of purified terephthalic acid (PTA) are being produced at this facility each year. PTA is a key ingredient in the manufacture of film and synthetic fibers. Amoco is also developing a large industrial center next to its plant site. Santee Cooper will provide electric service to all firms locating in that center.

Construction of Alumax, Inc.'s primary aluminum reduction plant in Berkeley County continued on schedule. In July 1980, Santee Cooper will begin

delivering power to the first of two potlines scheduled for operation there.

Jim Walter Metals Corporation announced plans to construct an aluminum products plant adjacent to the Alumax plant near Goose Creek. Start-up operations are scheduled for the fall of 1980.

A.O. Smith Company announced plans to purchase the McAndrews and Forbes Company facilities in Chesterfield County, which closed down last year. The new operation is scheduled for start-up in 1981 and will expand A.O. Smith's capacity for manufacturing residential and commercial water heaters.

The increased activity of both existing industrial customers and prospective clients is an indication of the healthy business climate in Santee Cooper's service area.

Industrial Relations

"Our product is energy, but our most important resource is people." This slogan identifies the philosophy and practice of Santee Cooper in relation to its human resources. This philosophy

is backed with major emphasis in the areas of training, employment, occupational health, benefits improvements, and wage and salary administration.

Wage and Salary Administration

"Pay for performance" is fundamental in Santee Cooper's compensation program. Revised wage and salary books were prepared and distributed to all employees to provide a better understanding of this program. In addition, wage and salary briefings were conducted for new employees.

Area and regional compensation trends were monitored and appropriate changes were made to remain competitive and maintain internal equity.

Employment

Employment growth exceeded 7 percent, with the hiring of 164 employees. There were 121 employees promoted during the year.

The recruiting program was expanded through more advertising and participation in college and high school career days. Participation increased in college cooperative education programs and intensive college recruiting.

Employee Benefits

Major changes in the comprehensive benefits program offered to all Santee Cooper employees included the addition of a dental insurance plan, more maternity health insurance benefits, and a change of retirement vesting from 15 to 5 years.

Santee Cooper's occupational health program is directed by a company physician, who is employed on a part-time basis, and a full-time occupational health nurse.

On-site visits were made to company locations for occupational health evaluations and the physical examination of a large number of employees including all generating station personnel. Improvements in

pre-employment physical examinations were made and additional medical equipment was purchased. A voluntary stop smoking clinic was conducted and arrangements were made for local alcohol and drug abuse commissions to provide counseling and treatment for employees and dependents where those services are needed.

Training and Development

A training and development specialist was hired with responsibility for company-wide training functions.

A formal internal training program for generating station personnel was begun and numerous personnel attended external special courses and seminars. Outside experts conducted special in-house programs for supervisory and professional personnel. Several college graduates participated in the Career Foundation Program in which they are rotated through several departments for training.

Equal Employment Opportunity Commitment

All employment, compensation, promotion and other related decisions are based solely on job related qualifications without regard to race, color, sex, religion, national origin, age, or handicap.

Safety

Santee Cooper was recognized by the American Public Power Association for the ninth time in 15 years for having the best safety record for public utilities operating in excess of one million man-hours annually.

Eighteen awards from the National Safety Council, 15 from the South

Carolina Occupational Safety Council, and 61 President's Safety Awards for crews operating safely under hazardous conditions were presented to Santee Cooper units.

The Jefferies Generating Station received the "Award of Merit" from the National Safety Council for operating more than one million man-hours without a disabling injury.

Finance and Accounting

Since Santee Cooper was created in 1934, a net amount of \$858,052,000 has been invested in its production, transmission, distribution, and general plant facilities. These capital additions have been financed through net revenues, issuance of electric revenue bonds, lease contracts, and a Federal grant in aid of \$34,438,000.

In June 1979, Santee Cooper retroactively recorded all capital leases as assets and liabilities in accordance with Statement No. 13 of the Financial Accounting Standards Board - Accounting for Leases. Capital leases entered into before January 1, 1977, were previously treated as operating leases. The effects of this change are explained in the Notes to Financial Statements.

On April 19, 1979, \$110,000,000 Electric System Expansion Revenue Bonds, 1979 Series A, were issued. The major purpose of this issue is to pay a portion of the estimated costs of construction of Unit No. 4 of the Winyah Generating Station. The net interest cost of this issue was 6.81 percent.

A general rate increase became effective May 1, 1979, which will produce approximately \$9.8 million additional revenues for the fiscal year beginning July 1, 1979.

Santee Cooper's net revenues since the first power was generated in 1942 total \$111,763,000. Payments in lieu of taxes have been made to the State of South Carolina totalling \$15,723,000 and to the counties and municipalities within our service territory totalling \$4,977,000. The remaining net revenues of \$91,063,000 have been reinvested in generating facilities and other system improvements.

Revenue bonds totalling \$1,157,594,000 have been issued since the creation of Santee Cooper. Bonds which were originally issued in 1949, 1971, and 1976 were advance refunded in 1973 and 1977 and have been defeased. These bonds had an outstanding balance of \$215,674,000 at the time they were refunded. Principal payments on all bond issues, including the issues refunded, total \$24,230,000. Outstanding bonds as of June 30, 1979, totalled \$917,690,000. The average annual interest cost on these bonds is 5.78%.

As of June 30, 1979, unexpended funds from the sale of bonds amounted to \$208,764,000 in addition to debt reserve, debt service, and interest funds which totalled \$170,118,000.

Schedule of Bonds Outstanding

(In Thousands)

As of June 30, 1979

Maturity Date July 1	1950 Issue		1967 Issue		1973 Refunding Issue		1973 Issue		1974 Issue	
	Int. Rate	Am't.	Int. Rate	Am't.	Int. Rate	Am't.	Int. Rate	Am't.	Int. Rate	Am't.
1979	2.70	240	4	140	5½	645				
1980	2.70	245	4	150	5½	680	5	825	6	100
1981	2.70	255	4	150	5.40	715	5	870	6	880
1982	2.70	260	4.10	160*	5	755	5	920	6	885
1983	2.70	265	4.10	165*	5	795	5	970	6	980
1984	2.70	275	4.10	335*	5	830	5	1,025	6	1,035
1985	2.70	285	4.10	630*	5	875	5.20	1,075	6	1,105
1986	2.70	290	4.10	660*	5	920	5.20	1,130	6	1,170
1987	2.70	300	4.10	685*	5	965	5.20	1,185	6	1,250
1988	2.70	310	4.10	715*	5	1,010	5.20	1,250	6	1,325
1989	2.70	480	4.10	575*	5	1,060	5 1/4	1,315	6 1/2	1,405
1990	2.70	1,900	4.10	420*			5 1/4	1,380	5.20	1,505
1991	2.70	1,950	4.10	440*			5.30	1,455	6 1/4	1,590
1992	2.70	2,005	4.10	455*			5.40	1,530	6.30	1,695
1993	2.70	2,060	4.10	480*			5.40	1,615	6.30	1,795
1994			4.10	2,605*			5 3/4	1,700*	6.40	1,910
1995			4.10	2,720*			5 3/4	1,795*	6.40	2,035
1996			4.10	2,845*			5 3/4	1,900*	6.40	2,155
1997			4.10	2,975*			5 3/4	2,010*	6 1/2	2,295
1998			4.10	3,105*			5 3/4	2,125*	6 1/2	2,435
1999			4.10	3,245*			5 3/4	2,245*	6 1/2	2,580
2000			4.10	3,395*			5 3/4	2,375*	6 3/4	2,750*
2001			4.10	3,545*			5 3/4	2,510*	6 3/4	2,920*
2002			4.10	3,705*			5 3/4	2,655*	6 3/4	3,110*
2003			4.10	3,870*			5 3/4	2,810*	6 3/4	3,295*
2004			4.10	4,045*			5 3/4	2,970*	6 3/4	3,505*
2005			4.10	4,230*			5 3/4	3,140*	6 3/4	3,730*
2006			4.10	4,420*			5 3/4	3,325*	6 3/4	3,950*
2007							5 3/4	3,515*	6 3/4	4,205*
2008							5 3/4	3,715*	6 3/4	4,470*
2009							5 3/4	3,930*	6 3/4	4,745*
2010							5 3/4	4,155*	6 3/4	5,045*
2011							5 3/4	4,390*	6 3/4	5,350*
2012							5 3/4	4,635*	6 3/4	5,665*
2013							5 3/4	4,890*	6 3/4	6,045*
2014									6 3/4	20,045*
2015										
2016										
2017										
2018										
2019										
Total Outstanding		11,120		50,865		9,250		100,000		109,000
Bonds Redeemed to 6/30/79		4,180		735		2,800				
Original Issue		15,300		51,600		12,050		100,000		109,000

* Term Bonds

Bonds issued in 1949, 1971, and 1976 have been advance refunded and are no longer a liability of Santee Cooper.

1977 Refunding Issue		1977 Issue		1978 Issue		1979A Issue		Total Principal Maturities	Accruing Interest	Total Debt Service
Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.			
3.40	1,565							2,590	47,704	50,294
3.70	1,615					5.4	65	3,680	53,074	56,754
4	2,405			4.20	100	5.4	70	5,445	52,915	58,360
4.15	2,500	4	420	4.30	200	5.4	70	6,170	52,664	58,834
4.30	2,595	4.10	410	4.40	895	5.4	575	7,650	52,380	60,030
4.45	2,710	4.20	435	4 1/2	780	5.45	955	8,380	52,023	60,403
4.60	2,835	4.30	445	4.60	970	5 1/2	985	9,205	51,622	60,827
4 3/4	2,975	4.40	470	4.70	1,015	5 1/2	1,025	9,655	51,175	60,830
4.90	3,120	4 1/2	490	4.80	1,070	5.55	1,065	10,130	50,699	60,829
5	3,280	4.60	515	4.90	1,125	5.6	1,105	10,635	50,193	60,828
5.10	3,450	4.70	540	5	1,200	5.7	1,150	11,175	49,651	60,826
5.20	3,620	4.80	570	5.05	1,155	5 3/4	1,195	11,745	49,079	60,824
5.30	3,830	4.90	590	5.10	1,220	5.85	1,240	12,315	48,502	60,817
5.40	4,035	5	625	5.15	1,285	5.90	1,300	12,930	47,889	60,819
5 1/2	4,260	5.10	660	5.20	1,355	5.95	1,360	13,585	47,232	60,817
5.60	4,480	5.20	720	5 1/4	1,440	6	1,425	14,280	46,537	60,817
5.65	4,710	5.30	785	5.30	1,515	6.05	1,490	15,050	45,761	60,811
5.70	4,995	5.40	830	5.35	1,585	6.10	1,565	15,875	44,938	60,813
5.70	5,265	5.45	890	5.40	1,670	6.20	1,645	16,750	44,064	60,814
5 7/8	5,590*	5 1/2	935	5.40	1,760	6.30	1,725	17,675	43,137	60,812
5 7/8	5,915*	5 1/2	1,005	5.70	1,850*	6.35	1,815	18,665	42,146	60,811
5 7/8	6,275*	5.55	1,065	5.70	1,940*	6.40	1,915	19,715	41,092	60,807
5 7/8	6,665*	5.60	1,130	5.70	2,045*	6.45	2,025	20,840	39,969	60,809
5 7/8	7,090*	5.60	1,220	5.70	2,145*	6 1/2	2,135	22,020	38,780	60,800
6	7,490*	5 3/4	1,295*	5.70	2,260*	6 1/2	2,260	23,280	37,582	60,802
6	7,950*	5 3/4	1,380*	5.70	2,380*	6 3/4	2,390*	24,620	36,180	60,800
6	8,450*	5 3/4	1,460*	5.70	2,500*	6 3/4	2,540*	26,050	34,754	60,804
6	8,970*	5 3/4	1,570*	5.70	2,630*	6 3/4	2,695*	27,560	33,243	60,803
6	9,400*	5 3/4	1,795*	5.70	2,785*	6 3/4	2,865*	29,165	31,644	60,809
6	9,950*	5 3/4	1,945*	5.70	2,845*	6 3/4	3,010*	30,935	29,876	60,811
6	10,565*	5 3/4	2,080*	5 7/8	8,330*	6 3/4	3,160*	32,810	28,002	60,812
6	11,210*	5 3/4	2,225*	5 7/8	8,845*	6 7/8	3,335*	34,815	25,999	60,814
6	4,980*	5 3/4	2,180*	5 7/8	9,390*	6 7/8	3,525*	36,945	23,870	60,815
6	5,315*	5 3/4	2,300*	5 7/8	9,980*	6 7/8	3,720*	39,190	21,629	60,819
6	5,625*	5 3/4	2,500*	5 7/8	10,590*	6 7/8	3,925*	41,565	19,251	60,816
6	6,010*	5 3/4	2,640*	5 7/8	11,250*	6 7/8	4,140*	44,085	16,729	60,814
6	9,515*	5 3/4	21,065*	5 7/8	11,950*	6 7/8	4,370*	46,900	13,918	60,818
6	11,285*	5 3/4	21,235*	5 7/8	12,555*	6 7/8	4,610*	49,685	11,133	60,818
		5 3/4	34,580*	5 7/8	13,190*	6 7/8	4,870*	52,640	8,180	60,820
				5 7/8	50,600*	6 7/8	5,135*	55,735	5,082	60,817
						6 7/8	25,550*	25,550	1,757	27,307
212,455		115,000		200,000		110,000		917,690	1,521,995	2,439,685
2,695								10,410		
215,150		115,000		200,000		110,000		928,100		

Electric Statistics

Fiscal Year	6/30/79	6/30/78	6/30/77	6/30/76	6/30/75	6/30/74	6/30/73	6/30/72	6/30/71	6/30/70
Total Utility Plant - net, including nuclear fuel (at year end) (in thousands of dollars)	759,839	577,936	437,162	355,971	277,976	223,633	166,261	146,841	138,541	138,584
Bonded Indebtedness (at year end) (in thousands of dollars)	917,690	810,190	495,190	481,210	383,050	383,905	175,720	180,649	81,624	82,574
Operating Revenues (in thousands of dollars)										
Residential	15,255	14,585	10,801	9,109	8,354	4,910	4,266	3,736	3,495	2,779
Commercial	16,822	15,530	12,439	10,738	9,665	5,703	4,833	4,330	3,730	3,060
Industrial	35,131	26,672	21,557	19,357	20,929	11,349	9,624	8,662	8,442	6,024
Military	6,567	6,330	5,049	4,754	4,564	2,834	2,410	2,314	2,359	1,851
Municipal	546	526	422	391	257	217	196	200	170	148
Wholesale	59,975	54,101	42,265	36,215	32,038	16,512	13,594	11,724	9,587	8,496
Other Electric Utilities*	-	-	975	507	1,021	4,220	5,196	4,132	5,070	506
Miscellaneous	1,401	1,236	1,219	1,168	(1,516)	1,009	1,012	925	646	(321)
Total	135,697	118,980	94,727	82,239	75,312	46,754	41,131	36,023	33,499	22,543
Operation & Maintenance Expenses Charged to Operations (in thousands of dollars)	103,928	88,144	71,904	57,737	59,214	36,861	26,958	24,134	25,840	17,121
Payments in Lieu of Taxes Charged to Operations (in thousands of dollars)	726	658	734	550	405	126	124	122	120	126
Payments to the State Charged to Reinvested Earnings (in thousands of dollars)	1,200	1,201	1,797	844	764	1,093	1,007	757	458	894
Net Operating Revenues Available For Debt Service (in thousands of dollars)	35,958	33,796	28,091	29,799	19,983	13,604	16,889	14,182	9,774	7,371
Net Earnings Reinvested in Business (in thousands of dollars)	10,791	5,516	8,978	11,902	8,060	3,704	12,530	6,159	2,126	2,297
Debt Service Coverage-Bonds	1.86	1.98	2.46	2.45	2.57	2.69	3.87	3.30	2.27	2.71

Fiscal Year	6/30/79	6/30/78	6/30/77	6/30/76	6/30/75	6/30/74	6/30/73	6/30/72	6/30/71	6/30/70
Kilowatt Hour Sales (in thousands)										
Residential	443,186	446,247	403,107	342,232	319,744	287,653	267,471	234,682	210,739	183,245
Commercial	506,243	489,437	449,335	404,501	375,320	333,608	303,306	272,913	228,068	208,451
Industrial	1,788,087	1,441,494	1,356,706	1,202,291	1,240,927	1,255,888	1,181,805	1,087,860	1,021,949	928,258
Military	316,537	323,763	302,789	301,172	291,632	284,449	285,440	276,655	272,902	261,629
Municipal	16,966	16,670	15,495	14,381	13,075	10,690	9,687	10,001	8,361	7,868
Wholesale	2,881,771	2,843,949	2,576,794	2,220,559	2,018,602	1,795,621	1,575,921	1,306,992	1,355,062	1,219,143
Total	5,952,790	5,561,560	5,104,226	4,485,136	4,259,300	3,967,909	3,623,630	3,189,103	3,097,081	2,808,594
Number of Customers (at year end)										
Residential	38,058	35,590	32,513	30,738	28,580	26,958	25,254	23,620	22,010	20,730
Commercial	8,859	8,466	8,102	7,558	7,280	7,122	6,760	6,295	5,908	5,688
Industrial	21	20	19	21	21	20	21	20	21	21
Military	3	3	3	3	3	3	3	3	3	3
Municipal	207	197	189	183	163	144	119	114	118	114
Wholesale	3	3	3	3	4	4	4	4	4	4
Total	47,151	44,279	40,829	38,506	36,051	34,251	32,161	30,056	28,064	26,560
Residential Statistics (Average)										
Kwh Customer	12,097	13,174	12,832	11,551	11,487	11,060	11,018	10,256	9,699	9,053
Cents/Kwh	3.44	3.27	2.68	2.66	2.61	1.71	1.59	1.59	1.66	1.52
Generating Capability (year end) (megawatts)	1,456	1,400	1,120	1,120	1,092	792	772	732	732	732
Power Requirements and Supply: (kilowatt hours in millions)										
Generation-Hydro	680	702	715	739	784	707	826	823	677	532
Steam	5,343	5,238	4,402	3,779	3,012	3,399	3,459	2,921	3,008	2,072
Combustion Turbine	6	38	21	2	11	11	7	1	2	8
Total	6,029	5,978	5,138	4,520	3,807	4,117	4,292	3,745	3,687	2,612
Purchases, Net Interchange, Etc.	430	95	474	429	883	303	(213)	(159)	(330)	376
Total	6,459	6,073	5,612	4,949	4,690	4,420	4,079	3,586	3,357	2,988
Calendar Year	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
System Peak Loads (megawatts)**	1,231	1,161	1,065	943	911	829	736	622	600	504

() Denotes Negative

*Effective July 1, 1977 Interchange sales were reclassified as a credit to purchased power.

**A new system peak demand, 1352 MW, occurred in August 1979.

State Ownership

Santee Cooper is an agency of the State of South Carolina, established in 1934 as the South Carolina Public Service Authority. This ownership is unique in that the state has no investment in the Authority but still owns all its properties and assets. The original financing (1938-1942) was by a loan and grant from the United States, through the Public Works Administration, with subsequent major additions being funded partly by earnings but primarily by revenue bonds sold to private investors.

The South Carolina Public Service Authority was established by Act No.

887 of the Acts of the General Assembly of South Carolina in 1934 for the purpose of developing the Cooper, Santee, and Congaree Rivers as instrumentalities of interstate and intrastate commerce, for the production, distribution and sale of electric power, the reclamation and drainage of swampy and flooded land, and the reforestation of lands around its lakes. Although known as the Santee-Cooper Hydroelectric and Navigation Project, the organization is commonly referred to as Santee Cooper.

Advisory Board

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John T. Campbell	Secretary of State
Daniel R. McLeod	Attorney General
Earle E. Morris, Jr.	Comptroller General
Grady L. Patterson, Jr.	State Treasurer

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Group Manager, Distribution

Hiram M. Hicks, Jr.
Group Manager, Engineering

David E. Jeffcoat
Group Manager, Transmission

Byron C. Rodgers
Group Manager, Production Operations

Jerry L. Stafford
Public Relations Director

J.W. Hunt and Company
1807 St. Julian Place
Post Office Box 285
Columbia, S.C. 29205

The Advisory Board
South Carolina Public Service Authority
Columbia, South Carolina

We have examined the balance sheets of the South Carolina Public Service Authority as of June 30, 1979 and 1978, and the related statements of net earnings, accumulated earnings, and the related statements of net assets and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the South Carolina Public Service Authority as of June 30, 1979 and 1978, and the results of its operations and the changes in its financial position for the years then ended. In conformity with generally accepted accounting principles applied on a consistent basis, the statements for the change, with which we concur, in the method of accounting for assets as described in Note 2 to the financial statements.

Financial Statements



Respectfully submitted,

J.W. Hunt and Company

November 30, 1979

Auditors' Opinion

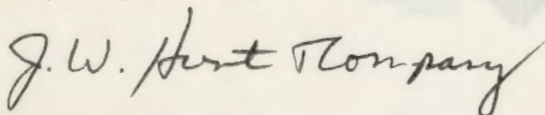
J.W. Hunt and Company
1607 St. Julian Place
Post Office Box 265
Columbia, S.C. 29202

The Advisory Board
South Carolina Public Service Authority
Columbia, South Carolina

We have examined the balance sheets of the South Carolina Public Service Authority as of June 30, 1979 and 1978, and the related statements of net earnings, accumulated earnings reinvested in the business and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the South Carolina Public Service Authority as of June 30, 1979 and 1978, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for leases as described in Note 6 to the financial statements.

Respectfully submitted,

A handwritten signature in cursive script that reads "J.W. Hunt Company". The signature is written in dark ink and is positioned below the text "Respectfully submitted,".

November 20, 1979

Balance Sheets

June 30, 1979 and 1978

Assets

1979

1978

UTILITY PLANT - AT COST (NOTE 1):

Electric plant in service.	\$ 476,881,954	\$ 442,185,190
Construction work in progress.	363,497,952	206,158,403
Total.	840,379,906	648,343,593
Less, accumulated depreciation.	98,213,047	85,881,733
Electric plant - net.	742,166,859	562,461,860
Nuclear fuel.	17,672,416	15,473,917
Utility plant - net.	759,839,275	577,935,777

OTHER PHYSICAL PROPERTY

(NET OF ACCUMULATED DEPRECIATION).	482,733	490,446
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UNEXPENDED FUNDS FROM SALE OF ELECTRIC

SYSTEM EXPANSION REVENUE BONDS (NOTE 2). ..	208,763,668	217,258,039
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DEBT SERVICE AND OTHER SPECIAL FUNDS (NOTE 2)

170,118,148	154,598,462
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CURRENT ASSETS:

Cash and securities:		
Held by trustee.	7,207,020	7,311,424
Other.	2,461,961	5,894,262
Accounts receivable, less allowance for uncollectible accounts.	13,135,282	12,438,059
Accrued interest receivable.	828,206	940,931
Inventories, at average cost:		
Fuel (coal and oil).	17,750,329	16,207,742
Materials and supplies.	2,635,766	1,783,825
Other.	369,690	394,177
Total current assets.	44,388,254	44,970,420

DEFERRED DEBITS:

Unamortized debt expense (Note 1).	3,459,109	3,223,189
Unamortized loss on reacquired debt (Note 1).	10,354,288	10,738,401
Other.	353,026	379,586
Total deferred debits.	14,166,423	14,341,176

Total.	\$1,197,758,501	\$1,009,594,320
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See Accompanying Notes to Financial Statements

Liabilities And Other Credits**1979****1978****LONG-TERM DEBT (NOTE 4):**

Priority obligations.....	\$ 73,492,809	\$ 74,860,842
Electric System Expansion Revenue Bonds.....	846,455,000	737,975,000
Capitalized lease obligations.....	88,056,022	68,204,642
Bank credit agreement.....	25,000,000	-
Other	375,000	1,700,000

Total long-term debt..... 1,033,378,831 882,740,484

Less, unamortized debt discount and premium - net. 14,130,012 12,882,827

Long-term debt - net. 1,019,248,819 869,857,657

ACCRUED INTEREST ON LONG-TERM DEBT..... 25,233,802 8,108,685

CONSTRUCTION FUND LIABILITIES-

ACCOUNTS PAYABLE..... 16,044,938 1,965,331

CURRENT LIABILITIES:

Accounts payable..... 7,469,520 9,528,424

Customer deposits..... 2,072,866 1,491,237

Accrued sums in lieu of taxes..... 353,304 297,783

Other

Total current liabilities..... 10,042,199 11,756,885

COMMITMENTS (NOTE 7)

UNAMORTIZED GAIN ON REACQUIRED DEBT (NOTE 1) 1,687,110 1,994,279

CAPITAL CONTRIBUTIONS -

U.S. GOVERNMENT GRANTS..... 34,438,264 34,438,264

ACCUMULATED EARNINGS REINVESTED

IN THE BUSINESS..... 91,063,369 81,473,219

Total..... \$1,197,758,501 \$1,009,594,320

Statements of Net Earnings

Years Ended June 30, 1979 and 1978*

Detail	1979	1978*
OPERATING REVENUES:		
Sales of electricity	\$ 134,296,072	\$ 117,744,105
Other operating revenues	1,401,354	1,236,072
Total operating revenues	135,697,426	118,980,177
OPERATING EXPENSES:		
Operation expense:		
Production	84,529,074	79,353,325
Purchased and interchanged power - net.	2,109,654	(4,748,340)
Transmission	1,242,108	1,131,318
Distribution	729,969	607,529
Customer accounts	1,271,731	1,273,236
Sales	214,227	235,142
Administrative and general	3,642,924	2,655,041
Maintenance expense	10,188,449	7,636,576
Total operation and maintenance expenses	103,928,136	88,143,827
Depreciation	12,433,947	11,060,022
Sums in lieu of taxes	726,315	658,418
Total operating expenses	117,088,398	99,862,267
OPERATING INCOME	18,609,028	19,117,910
OTHER INCOME:		
Interest income	26,879,580	17,159,446
Allowance for funds used during construction - other than borrowed funds (Note 1)	1,084,631	457,879
Other - net	132,398	(34,021)
Total other income	28,096,609	17,583,304
Total	46,705,637	36,701,214
INTEREST CHARGES:		
Interest on long-term debt	49,609,758	37,870,422
Allowance for funds used during construction - borrowed funds (Note 1)	(14,415,741)	(7,215,703)
Other	721,090	530,902
Total interest charges	35,915,107	31,185,621
NET EARNINGS	\$ 10,790,530	\$ 5,515,593

*Reclassified to conform to 1979 presentation
See Accompanying Notes to Financial Statements

Statements of Accumulated Earnings Reinvested in the Business

Years Ended June 30, 1979 and 1978

Detail	1979	1978
Accumulated earnings reinvested in the business, as previously reported - beginning of period.	\$ 85,699,107	\$81,065,189
Cumulative effect on prior years of capital lease restatement.	(4,225,888)	(3,906,999)
As restated.	81,473,219	77,158,190
Net earnings for the period.	10,790,530	5,515,593
Total.	92,263,749	82,673,783
Distribution to the State of South Carolina.	1,200,380	1,200,564
Accumulated earnings reinvested in the business - end of the period.	<u>\$91,063,369</u>	<u>\$81,473,219</u>

See Accompanying Notes to Financial Statements

Statements of Changes in Financial Position

Years Ended June 30, 1979 and 1978

Detail

1979

1978

FUNDS PROVIDED BY:

Operations:

Net earnings.....	\$ 10,790,530	\$ 5,515,593
Charges (credits) to net earnings not providing or requiring funds:		
Depreciation.....	12,433,947	11,060,022
Allowances for funds used during construction.....	(15,500,372)	(7,673,582)
Amortization of debt discount and expense..	547,539	391,786
Amortization of loss on reacquired debt - net	76,944	59,397
Total from operations.....	8,348,588	9,353,216
Sale of bonds.....	110,000,000	315,000,000
Capitalized lease obligations.....	21,545,286	1,363,252
Bank loans.....	25,000,000	-
Decrease (increase) in unexpended funds from sale of Electric System Expansion Revenue Bonds	8,494,371	(162,225,897)
Increase in accrued interest on long-term debt....	17,125,117	4,091,735
Increase (decrease) in construction fund liabilities..	14,079,607	(1,050,059)
Other	26,560	131,675
Total funds provided.....	204,619,529	166,663,922

FUNDS APPLIED TO:

Increase in utility plant and other physical property.	178,829,360	83,463,538
Increase in debt service and other restricted funds..	15,519,686	63,998,594
Retirement of long-term debt.....	4,213,033	3,817,638
Principal payments - capitalized lease obligations...	1,693,906	1,461,566
Distributions to the State of South Carolina.....	1,200,380	1,200,564
Addition to unamortized debt discount and expense.	2,030,644	6,140,524
Total funds applied.....	203,487,009	160,082,424

INCREASE IN WORKING CAPITAL.....	\$ 1,132,520	\$ 6,581,498
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INCREASE (DECREASE) IN WORKING CAPITAL

BY COMPONENT:

Cash and securities:

Held by trustee.....	\$ (104,404)	\$ 934,620
Other	(3,432,301)	2,908,542

Accounts receivable, less allowance for

uncollectible accounts.....	697,223	(1,212,250)
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Accrued interest receivable.....	(112,725)	467,810
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Inventories	2,394,528	5,033,383
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Other current assets.....	(24,487)	(66,120)
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Accounts payable.....	2,058,904	(1,144,456)
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Customer deposits.....	(581,629)	(280,593)
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Accrued sums in lieu of taxes.....	(55,521)	(22,060)
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Other current liabilities.....	292,932	(37,378)
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Increase in working capital.....	\$ 1,132,520	\$ 6,581,498
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See Accompanying Notes to Financial Statements

Notes to Financial Statements

June 30, 1979

NOTE 1 - Summary of Significant Accounting Policies:

- A - SYSTEM OF ACCOUNTS - The accounting records of the Authority are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). See Note F below relating to calculation of allowance for funds used during construction.
- B - UTILITY PLANT CAPITALIZATION AND MAINTENANCE - Additions to plant are recorded at cost, which includes material, labor, overhead, and allowance for funds used during construction. The costs of current repairs and minor replacements are charged to appropriate operating expense and clearing accounts. Costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.
- C - DEPRECIATION - Depreciation is provided on a straight line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percent of average depreciable utility plant in service, were approximately 3.05% and 2.86% for 1979 and 1978, respectively.
- D - OPERATING REVENUES AND ENERGY COSTS - Revenues from sale of electric energy, including amounts resulting from application of fuel adjustment clauses, are recorded as meters are read. Costs of fuel consumed are reflected in operating expenses as incurred.
- E - PENSION COSTS - Salaries paid by the Authority are subject to withholding and employer contributions in accordance with the provisions of a State Pension Plan administered by the South Carolina State Retirement System. Rates are fixed by State statutes. The contributions to the State Pension Plan were \$821,556 and \$673,981 for years ended June 30, 1979 and 1978, respectively.
- F - ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION - The allowance for funds used during construction (AFUDC) reflects the cost for the period of capital devoted to plant under construction, including nuclear fuel. This cost represents interest charges on borrowed funds and a reasonable rate of return on other funds used to finance plant additions during construction periods and is capitalized in the same manner as construction labor and material costs.
- Prior to fiscal year 1978, AFUDC was capitalized only on construction projects for which funds were borrowed to finance such projects and was calculated using the net interest cost of each financing (actual interest paid less interest income earned from investing unexpended proceeds). For the year ended June 30, 1978, AFUDC was calculated using the formulary method prescribed by FERC and was applied to all construction projects. This change in the method of calculation increased AFUDC and net earnings for 1978 by \$946,000.

During fiscal year 1979, the Authority reevaluated the calculation method as related to the manner in which construction projects are actually financed. Since construction projects are substantially financed by specific identifiable borrowings, it was determined that AFUDC would be more reasonably calculated using a specific identification method. Accordingly for the year ended June 30, 1979, AFUDC was calculated using the effective interest rates from specific borrowings applied to the related construction projects. AFUDC for other funds utilized was calculated based on the Authority's average rate of return for the last three years. This change in the method of calculation increased AFUDC and net earnings for 1979 by approximately \$2,326,000.

G - AMORTIZATION - Unamortized debt discount, premium, and expense are being amortized over the lives of the related debt issues. Unamortized gains and losses on reacquired debt are being amortized over the respective lives of the refunding debt issues.

NOTE 2 - Unexpended Funds From Sale of Expansion Bonds and Debt Service and Other Special Funds:

Unexpended funds from the sale of expansion bonds, debt service funds, and other special funds are held and maintained by trustees and their use restricted in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements, and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities carried at amortized cost.

NOTE 3 - Summer Nuclear Station:

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station presently under construction, as tenants in common with undivided interest of 33-1/3% and 66-2/3%, respectively. SCE&G, as agent for itself and the Authority, is solely responsible for the design, construction, operation, and maintenance of the Summer Plant and, the Authority is obligated to pay its ownership share of all costs relating thereto. At June 30, 1979, construction work in progress included approximately \$202,000,000 representing the Authority's investment, including AFUDC, in the Summer Plant. Nuclear fuel represents the Authority's investment in fuel acquired for the plant.

NOTE 4 - Long-Term Debt Outstanding:

	1979	1978
Priority Obligations:		
Electric Revenue Bonds, Series of 1950, bearing interest at 2.70% and due 1979 to 1993.	\$ 11,120,000	\$ 11,355,000
Electric Revenue Bonds, Series of 1967, bearing interest at 4% and 4.10% and due 1979 to 1981 and 2006.	50,865,000	51,000,000
Electric Revenue Bonds, Refunding Series of 1973, bearing interest from 5% to 5-1/2% and due 1979 to 1989.	9,250,000	9,860,000
Contract Obligations, payable 1979 to 1985.	2,257,809	2,645,842
Total Priority Obligations.	<u>73,492,809</u>	<u>74,860,842</u>
Electric System Expansion Revenue Bonds:		
Expansion Bonds, 1973 Series, bearing interest from 5% to 5-3/4% and due 1980 to 1993 and 2013.	100,000,000	100,000,000
Expansion Bonds, 1974 Series, bearing interest from 6% to 6-3/4% and due 1980 to 1999 and 2014.	109,000,000	109,000,000
Expansion Bonds, 1977 Refunding Series, bearing interest from 3.40% to 6% and due 1979 to 1997 and 2002 and 2016.	212,455,000	213,975,000
Expansion Bonds, 1977 Series, bearing interest from 4% to 5-3/4% and due 1982 to 2002 and 2017.	115,000,000	115,000,000
Expansion Bonds, 1978 Series, bearing interest from 4.20% to 5-7/8% and due 1981 to 1998 and 2008 and 2018.	200,000,000	200,000,000
Expansion Bonds, 1979, Series A, bearing interest from 5.40% to 6-7/8% and due 1980 to 2003 and 2009 and 2019.	110,000,000	-
Total Expansion Bonds.	<u>846,455,000</u>	<u>737,975,000</u>
Capitalized Subordinated Lease Contracts, payable 1979 to 2014.	88,056,022	68,204,642
Bank Credit Agreement.	<u>25,000,000</u>	-
Other.	<u>375,000</u>	<u>1,700,000</u>
Total long-term debt.	<u>\$1,033,378,831</u>	<u>\$ 882,740,484</u>

The Authority utilizes proceeds of debt issues primarily in financing its construction program.

NOTE 4 - Long-Term Debt Outstanding (Continued):

The Electric System Expansion Revenue Bonds, 1971 and 1976 Series, were advance refunded and defeased in 1977 by issuance of 1977 Refunding Series Bonds and Special Obligation Refunding Series Bonds. The principal amount of the Refunding Bonds and Special Obligation Bonds remaining outstanding at June 30, 1979, totalled \$262,440,000. Such bonds will be retired as they mature from the proceeds of Government Obligations held by the Refunding Trustee.

The Authority's bond indentures provide for certain restrictions, the most significant of which are:

The Authority covenants to establish rates and charges adequate to provide revenues sufficient, among other things, to pay debt service when due on the priority obligations and expansion bonds, to make required payments when due into the lease fund and the capital improvement fund, and to pay the costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements and renewals thereof.

The Authority is presently required to pay annually into its capital improvement fund an amount which, together with the amounts deposited therein in the two preceding fiscal years, is at least equal to 8% of the Authority's gross revenues (as defined) in the three preceding fiscal years.

The Authority may issue additional parity expansion bonds if, among other things, the Authority's Consulting Engineer certifies that net revenues (as defined) in each succeeding fiscal year after the date on which such additional bonds are sold to and including the later of (a) the third succeeding full fiscal year after such date or (b) the first full fiscal year after the estimated date of commercial operation of any power plant to pay the cost of construction of which additional expansion bonds have been, are being or are then authorized to be issued, shall be at least equal to the sum of the amounts required in such fiscal year for (i) debt service on the priority obligations and the expansion bonds then outstanding, being issued, or authorized but not yet issued, (ii) payments into the lease fund, and (iii) payments into the capital improvement fund.

Maturities of priority obligations and expansion bonds during the fiscal years ended June 30, 1980 through 1984, are as follows:

June 30, 1980	\$2,981,679
June 30, 1981	4,079,209
June 30, 1982	5,851,891
June 30, 1983	6,584,728
June 30, 1984	8,071,017

The contract obligations included above arose through an agreement to purchase certain transmission lines (generally known as the "A-B" System) from Central Electric Power Cooperative, Inc. Principal and interest at 2% per annum are payable in semi-annual installments. See Note 6 for details concerning long-term lease obligations.

NOTE 5 - Bank Credit Agreement:

In May, 1979, the Authority authorized the execution of a credit agreement with several banks which expires in 1982. The participating banks agreed to loan to the Authority from time to time up to \$50,000,000 at a fluctuating rate per annum equal to 40% of the prime commercial rate of one of the major lending banks, plus 2% per annum (6.7% at June 30, 1979). In accordance with the agreement, the Authority borrowed \$25,000,000 on the date the agreement was executed, June 1, 1979. The proceeds from such borrowing must be used solely for plant construction.

NOTE 6 - Long-Term Lease Commitments:

The Authority has lease contracts with Central Electric Power Cooperative, Inc., covering a steam electric generation plant, transmission facilities and various other facilities. The lease terms range from sixteen to thirty-six years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Electrification Administration for funds borrowed to construct the above-mentioned facilities. The Authority has an option to purchase the leased properties at any time during the period of the lease agreements for a sum equal to Central's indebtedness remaining outstanding on the property involved at the time the option is exercised, or to return the properties at the termination of the lease. In addition, the Authority and Central are parties to a power contract which provides that the Authority will provide and Central will purchase all of its energy requirements, less amounts which Central purchases directly from the Southeastern Power Administration through October, 1987. Revenues received from Central approximated \$57,800,000 and \$52,046,000 in 1979 and 1978, respectively.

In June, 1979, the Authority retroactively recorded all capital leases as assets and liabilities in accordance with Statement No. 13 of the Financial Accounting Standards Board -Accounting for Leases. Prior to that time, capital leases entered into before January 1, 1977, were treated as operating leases under the transitional rules of Statement No. 13.

The effect of this change was as follows:

	JUNE 30, 1979	JUNE 30, 1978
Increase in Electric Plant in Service and Construction		
Work in Progress.	\$100,960,291	\$ 79,415,005
Increase in Accumulated Depreciation.	21,681,536	19,469,256
Increase in Capitalized Lease Obligations.	88,056,022	68,204,642
Decrease in Reserve for Future Rental Payments.	4,013,489	3,538,373
Decrease in Net Earnings.	43,258	318,889

Financial statements of prior years have been restated and the cumulative effect at July 1, 1977, has been charged to accumulated earnings reinvested in the business.

NOTE 6 - Long-Term Lease Commitments (Continued):

Future minimum lease payments on Central leases at June 30, 1979, were:

Years ending June 30:	Amount
1980.....	\$ 4,903,494
1981.....	5,263,884
1982.....	5,387,057
1983.....	5,508,735
1984.....	5,515,113
Thereafter.....	<u>124,662,459</u>
Total minimum lease payments.....	151,240,742
Less, amounts representing interest.....	<u>59,184,720</u>
Present value of net minimum lease payments.....	92,056,022
Less, approved loans not yet advanced to Central.....	<u>4,000,000</u>
Balance at June 30, 1979.....	<u>\$ 88,056,022</u>

Leases, other than Central leases, are not material.

NOTE 7 - Commitments:

The Authority's Construction Budget, as adjusted for known changes, provides for expenditures (principally consisting of generating facilities - Winyah #3, Winyah #4, Summer Plant, Cross #2, Cross #1 and other construction) of approximately \$227,400,000 during the fiscal year ending June 30, 1980, and \$1,112,700,000 during later years.